

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 ERDA-05 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07 INT-05 L-03  
NSAE-00 NSC-05 OMB-01 PM-04 OES-06 SP-02 SS-15 STR-04  
TRSE-00 ACDA-07 FEA-01 NSCE-00 SSO-00 USIE-00 INRE-00  
PA-01 PRS-01 /094 W

-----102053Z 112190 /70

O R 102022Z MAR 77  
FM AMEMBASSY QUITO  
TO SECSTATE WASHDC IMMEDIATE 3489  
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 1622

E.O. 11652: GDS  
TAGS: EINV, ENRG, PFOR, EC  
SUBJECT: GULF-GOE NEGOTIATIONS: ROADBLOCKS INCREASING

1. BEGIN SUMMARY. LOEB-RHOADES AS OF ABOUT MARCH 7 APPARENTLY HAD PLACED ONLY \$30 MILLION OF THE \$100 MILLION DOLLAR LOAN CONTRACTED BY THE GOE, AND WAS EXPERIENCING DIFFICULTY PLACING THE REMAINDER, APPARENTLY DUE TO UNATTRACTIVE TERMS. THE CONTRACT BETWEEN THE GOE AND LOEB-RHOADES WILL EXPIRE AT THE END OF THE MONTH IF THE \$100 MILLION TOTAL IS NOT FULLY SUBSCRIBED. THERE HAS BEEN NO PROGRESS ON OTHER OUTSTANDING ISSUES. END SUMMARY.

2. LOCAL GULF MANAGER JACK O'BRIEN TOLD EMBOFF ON MARCH 8 THAT GULF OFFICIALS IN CORAL GABLES HAD RECENTLY SPOKEN WITH LOEB-RHOADES IN NEW YORK AND LEARNED THAT LOEB-RHOADES HAD ONLY PLACED \$30 MILLION OF THE PROJECTED \$100 LOAN FOR CEPE TO PURCHASE GULF'S INTERESTS IN THE CONSORTIUM. THIS CONTRADICTED A STATEMENT MADE TO O'BRIEN A DAY OR TWO EARLIER BY FINANCE MINISTER SEVILLA, WHO HAD ASSERTED THAT \$70 MILLION HAD ALREADY BEEN GARNERED BY LOEB-RHOADES. LOEB-RHOADES TOLD GULF THAT IT WAS HAVING DIFFICULTY IN PLACING  
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THE REMAINDER OF THE LOAN. THE FIRST NATIONAL BANK OF CHICAGO (AMONG OTHERS) HAD EARLIER EXPRESSED AN INTEREST IN TAKING PART OF THE LOAN BUT THEN FOUND THE TERMS UNFAVORABLE.

3. LOEB-RHOADES ALSO TOLD GULF THAT ITS CONTRACT WITH THE GOE WILL EXPIRE AT THE END OF THE MONTH. O'BRIEN SAID

"IT WAS ANYBODY'S GUESS" WHAT WOULD HAPPEN THEN IF THE \$100 MILLION HAD NOT BEEN FULLY SUBSCRIBED.

4. LAST WEEK, GOE OFFICIALS TOLD GULF THAT CEPE WAS HAVING DIFFICULTY IN MARKETING ITS OIL ABROAD BECAUSE POTENTIAL PURCHASERS ARE FEARFUL THAT GULF MIGHT YET TAKE LEGAL ACTION AGAINST CEPE SUCH AS WAS DONE IN THE CASE OF THE "RUTH" SHIPMENT. THE GOE OFFICIALS ASKED GULF TO FORMALLY RELEASE GULF'S 37.5 PERCENT OWNERSHIP IN THE CONSORTIUM FORTHWITH. O'BRIEN SAID THAT IN RESPONSE HE HAD MET WITH CEPE MANAGER COL. MIRANDA AND HAD REFUSED TO SIGN ANY RELEASE OF GULF'S OWNERSHIP. O'BRIEN SAID HE TOLD MIRANDA THAT CEPE'S MARKETING PROBLEM COULD BEST BE SOLVED BY THE PROMPT SIGNING OF THE GOE-GULF SETTLEMENT.

5. O'BRIEN SAID MIRANDA REAFFIRMED CEPE'S NEW CLAIM AGAINST TEXACO AND GULF FOR 1.76 MILLION BARRELS UNDER DECREE 285 (DESPITE THE FACT THAT VARGAS AND CEPE HAD PREVIOUSLY AGREED TO 1.33 MILLION). O'BRIEN SAID THIS DIFFERENCE IN AMOUNT IS UNIMPORTANT TO GULF BUT IS VERY SIGNIFICANT TO TEXACO. CEPE HAS ALSO REFUSED TO ACCEPT THE JANUARY 1 INVENTORY ACCOUNT OF GULF'S PROPERTIES, WHICH WAS COMPILED BY A JOINT COMMISSION FROM CEPE, TEXACO AND GULF. THERE WAS NO REASON GIVEN FOR CEPE'S REFUSAL.

6. COMMENT: GULF MANAGER O'BRIEN FEELS THAT THE EMBASSY WOULD BE WASTING ITS TIME TO SPEAK TO SEVILLA OR POVEDA AT THIS JUNCTURE, SINCE THE MAIN PROBLEM IS NOW PLACEMENT OF THE LOEB-RHOADES LOAN IN THE U.S. MARKET.  
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HOWEVER, IF DURING THE NEXT WEEK WE CONTINUE TO HEAR RELIABLY THAT THE LOEB-RHOADES PLACEMENT IS MOVING SLOWLY AND THAT NO PROGRESS IS BEING MADE TOWARDS REMOVAL OF THE VARIOUS OTHER ROADBLOCKS OBSTRUCTING CONCLUSION OF THE GOE-GULF AGREEMENT, WE INTEND TO DISCUSS THE MATTER WITH SEVILLA AND, IF A CALL ON SEVILLA BEARS NO FRUIT, THE CHARGE WILL SEEK AN APPOINTMENT WITH POVEDA.  
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## Message Attributes

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